

CITY OF NORTHAMPTON, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditors' Report

To the Honorable Mayor
City of Northampton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the fiscal year ended June 30, 2009, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2008), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northampton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2009, (except for the Northampton Contributory Retirement System, which is as of December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the general purpose financial statements of the City of Northampton, Massachusetts, taken as a whole. The supplementary supporting statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Northampton, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore, express no opinion on it.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
January 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Northampton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009

Financial Highlights

- The City's assets exceeded its liabilities by \$97,261,476 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$103,404,285 or a decrease of \$6,142,809.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$68,717,635 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$11,710,722 are restricted by constraints imposed from outside the City such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$16,833,119 represent a portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$14,634,649 this year. This compares to the prior year ending fund balance of \$15,242,218 showing a decrease of \$607,569 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$619,725, or .79% of total General Fund expenditures including transfers and .81% of total General Fund revenues including transfers and capital leases.
- Total liabilities of the City increased by \$6,564,055 to \$91,086,302 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Northampton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, water and solid waste activities.

The government-wide financial statements include not only the City of Northampton itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Northampton is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Northampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and solid waste activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Assets Highlights

Governmental Activities			
	2009	2008	Change
Assets:			
Current assets	\$ 28,303,890	\$ 27,467,120	\$ 836,770
Noncurrent assets (excluding capital)	16,731,524	19,194,179	(2,462,655)
Capital assets	68,813,565	69,130,639	(317,074)
Total assets	113,848,979	115,791,938	(1,942,959)
Liabilities:			
Current liabilities (excluding debt and lease)	5,583,384	4,754,791	828,593
Noncurrent liabilities (excluding debt and lease)	6,899,242	2,153,132	4,746,110
Current debt and leases payable	7,260,222	5,984,888	1,275,334
Noncurrent debt and leases payable	30,962,575	32,964,563	(2,001,988)
Total liabilities	50,705,423	45,857,374	4,848,049
Net Assets:			
Capital assets net of related debt	49,837,075	51,805,521	(1,968,446)
Restricted	9,291,059	8,649,774	641,285
Unrestricted	4,015,422	9,479,269	(5,463,847)
Total net assets	63,143,556	69,934,564	(6,791,008)

Business-Type Activities			
	2009	2008	Change
Assets:			
Current assets	\$ 17,531,282	\$ 16,627,901	\$ 903,381
Capital assets	56,967,517	55,506,693	1,460,824
Total assets	74,498,799	72,134,594	2,364,205
Liabilities:			
Current liabilities (excluding debt)	954,023	977,437	(23,414)
Noncurrent liabilities (excluding debt)	1,145,882	1,121,233	24,649
Current debt	5,145,686	3,440,229	1,705,457
Noncurrent debt	33,135,288	33,125,974	9,314
Total liabilities	40,380,879	38,664,873	1,716,006
Net Assets:			
Capital assets net of related debt	18,880,560	18,940,490	(59,930)
Restricted	2,419,663	1,539,505	880,158
Unrestricted	12,817,697	12,989,726	(172,029)
Total net assets	34,117,920	33,469,721	648,199

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2009	2008	Change
Program Revenues:			
Charges for services	\$ 11,597,282	\$ 11,144,925	\$ 452,357
Operating grants and contributions	26,638,277	26,114,672	523,605
Capital grants and contributions	806,328	1,370,132	(563,804)
General Revenues:			
Property taxes	37,503,300	36,391,897	1,111,403
Motor vehicle and other taxes	2,091,289	2,276,703	(185,414)
Hotel room occupancy taxes	334,406	352,264	(17,858)
Penalties and interest on taxes	234,786	245,736	(10,950)
Nonrestricted grants and contributions	5,368,380	5,838,274	(469,894)
Unrestricted investment income	326,727	643,823	(317,096)
Miscellaneous	181	6,307	(6,126)
Total revenues	84,900,956	84,384,733	516,223
Expenses:			
General government	5,561,605	5,929,182	367,577
Public safety	11,220,396	11,114,159	(106,237)
Public works	4,172,217	3,671,697	(500,520)
Education	37,811,357	37,283,065	(528,292)
Health and human services	2,866,136	2,356,444	(509,692)
Culture and recreation	3,216,866	2,373,071	(843,795)
Employee benefits and insurance	25,837,413	20,725,544	(5,111,869)
State assessments	2,312,885	2,207,290	(105,595)
Interest	1,664,660	1,775,100	110,440
Total expenses	94,663,535	87,435,552	(7,227,983)
Contributions to Permanent Funds	9,050	8,050	1,000
Transfers, net	2,962,521	2,773,720	188,801
Change in net assets	(6,791,008)	(269,049)	(6,521,959)
Net assets - beginning of year	69,934,564	70,203,613	(269,049)
Net assets - end of year	\$ 63,143,556	\$ 69,934,564	\$ (6,791,008)

	Business-Type Activities		
	2009	2008	Change
Program Revenues:			
Sewer	\$ 4,153,289	\$ 4,164,350	\$ (11,061)
Water	4,633,280	4,582,478	50,802
Solid Waste	3,839,965	3,654,404	185,561
Total Revenues	12,626,534	12,401,232	225,302
Expenses:			
Sewer	3,292,872	2,859,728	(433,144)
Water	4,301,992	3,192,145	(1,109,847)
Solid Waste	1,675,043	2,205,468	530,425
Total expenses	9,269,907	8,257,341	(1,012,566)
Unrestricted investment income	254,093	578,969	(324,876)
Transfers, net	(2,962,521)	(2,773,720)	(188,801)
Change in net assets	648,199	1,949,140	(1,300,941)
Net assets - beginning of year	33,469,721	31,520,581	1,949,140
Net assets - end of year	\$ 34,117,920	\$ 33,469,721	\$ 648,199

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$97,261,476 at the close of FY 2009.

Net assets of \$68,717,635 (71%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$11,710,722 (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$16,833,119 (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets decreased by \$6,791,008 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$9,762,579, transfers in from the sewer, water and solid waste funds of \$2,962,521 and contributions to permanent funds of \$9,050. A

portion of the decrease is attributed to recognizing the OPEB liability for the first time on the financial statements in the amount of \$4,530,422.

There was an increase of \$648,199 in net assets reported in connection with the sewer, water and solid waste business-type activities. Of this, the sewer department incurred a decrease of \$626,989 and was mainly attributed to budgeting revenues sufficient to cover current operational costs by \$919,272, less transfers out to the general fund of \$1,546,261. The water department incurred a decrease of \$166,461 and was attributed to budgeting revenues sufficient to cover current operational costs by \$445,134, less transfers out to the general fund of \$611,595. The solid waste department incurred an increase of \$1,441,649 and was attributed to budgeting revenues sufficient to cover current operational costs by \$2,246,314, less transfers out to the general fund of \$804,665.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,634,649. Of this year-end total, \$619,725 is the undesignated general fund balance, indicating availability for continuing City service requirements. Reserved and designated fund balances include \$1,516,656 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$644,706 in perpetual permanent funds; \$233,172 reserved for the 2010 budget; \$11,658,483 in special revenue funds; \$(116,454) in capital projects funds; and \$78,361 in permanent funds. The deficit of \$(116,454) in the capital projects fund represents the management of information systems 5 year plan and public safety capital projects that ended the fiscal year with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$2,300,000 in bond anticipation notes were outstanding for all the capital projects. Permanent financing will be done once the projects near completion. At that time the deficits will be eliminated.

The total ending fund balances of the governmental funds shows a decrease of \$607,569 in comparison with the prior year. The decrease is attributable to expenditures exceeding revenues by \$6,611,353, transfers in from the business-type activities of \$2,962,521, the execution of a capital lease for \$74,468 and proceeds from the issuance of bonds for \$2,966,795.

Major Governmental Funds

The *general fund* is the City's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$619,725, while total fund balance reached \$2,136,381. As a measure of the general fund's liquidity, it may be useful to compare both

unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents .79% of total general fund expenditures including transfers and total fund balance represents 2.73% of that same amount. Unreserved/undesignated fund balance represents .81% of total general fund revenues including transfers and the execution of a capital lease and total fund balance represents 2.79% of that same amount.

The fund balance of the general fund decreased by \$1,642,119. Of this amount \$6,032,797 was attributed to the expenditures over revenues, \$602,758 of net transfers from the stabilization fund, \$750,931 of net transfers from the non-major funds, \$2,962,521 in transfers in from the business-type activities and \$74,468 from the execution of a capital lease.

The *stabilization fund* has accumulated a fund balance of \$1,617,083, or 2.06% of total General Fund expenditures including transfers and 2.11% of total General Fund revenues including transfers and the execution of a capital lease. These funds can be used for general or capital purposes upon City Council approval.

The fund balance of the stabilization fund decreased by \$552,535. Of this amount \$50,223 was attributed to interest income, \$152,000 of transfers in from the general fund and \$754,758 of transfers out to the general fund. Please refer to Note 3H for additional information.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *sewer fund* is the financing and operations of the City's sewer system. The sewer fund shows a decrease of \$626,989 in total operations, the result of operating revenues exceeding operating expenditures by \$992,176, interest income of \$58,855, interest expense of \$131,759 and \$1,546,261 of transfers to the general fund.

The *water fund* is the financing and operations of the City's water system. The water fund shows a decrease of \$166,461 in total operations, the result of operating revenues exceeding operating expenditures by \$1,121,394, interest income of \$113,846, interest expense of \$838,253, intergovernmental revenue of \$48,147 and \$611,595 of transfers to the general fund.

The *solid waste fund* is the financing and operations of the City's solid waste system. The solid waste fund shows an increase of \$1,441,649 in total operations, the result of operating revenues exceeding operating expenditures by \$2,236,000, interest income of \$81,392, interest expense of \$71,078 and \$804,665 of transfers to the general fund.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2009 was \$74,196,628. This was an increase of \$788,390 over the previous year's final budget.

There was a net increase of \$1,718,570 between the original budget and the final amended budget. The increase is primarily attributed to conservation land acquisition of \$50,000, legal services of \$95,993, veterans benefits of \$314,000, license commission professional services of \$2,000, snow and ice overtime expenses of \$333,388, city council expense of \$410, elections of \$13,000, street lights for \$20,000, fire department expenses of \$145,000, employee benefits of \$50,050, ambulance and emergency services for \$566,200, department of public works tree truck for \$10,965, a school van for \$26, a tractor for \$25,000, elevator renovation for \$15,000, replacement of armory lot fixtures for \$32,000, capital lease for \$7,452 and test for salinity and install sonoguard for the water for \$275,000. The City also transferred \$206,614 of prior years encumbrances to capital projects and \$30,300 transferred back to the parking meter reserve.

Of the \$3,516,253 in unexpended/committed budget expenditures \$1,516,656 has been carried over to fiscal year 2010 leaving a surplus of \$1,999,597 to close to undesignated fund balance.

There were negative variances in state receipts, excise and other taxes, licenses, permits and fees, interest on taxes and interest on investments of \$1,643,834, \$91,153, \$472,518, \$5,174 and \$257,637, respectively. The negative variance in state receipts is the result of a reduction in state aid as announced by the Commonwealth as a result of the condition of the state budget. The negative variance in excise and other taxes is the result of a decline in vehicle sales and an increase in vehicle age. In the licenses, permits and fees category major receipts were lower as a result of a decline in the issuance of building and inspection permits, the rental of the James House being unoccupied and the sales of inventory being less. The negative variance in interest on taxes was attributed to payments being made on a more timely basis. Interest on investments was a negative variance as a result of a decline in interest rates. Overall the revenues had a budget deficit of \$2,424,825.

Overall the variance with the final budget was a negative \$425,228 consisting of revenue deficits of \$2,424,825 offset by appropriation surpluses of \$1,999,597.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to \$68,813,565 and \$56,967,517, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Conservation land for \$285,175.
- Central maintenance vehicles for \$62,737.
- Parking vacuum for \$30,342.
- City-wide telephone system for \$449,812.
- Fiber optic wide area network for \$549,340.

- Police vehicles for \$77,205.
- Radio dispatch system for \$24,950.
- Police facility for \$885,465.
- Fire department defibrillator for \$16,472.
- DPW vehicles for \$108,490.
- Rail trail land for \$80,000.
- Various road and sidewalk improvements for \$269,790.
- School department vehicles for \$24,389.
- School computer lease for \$74,468.
- Smith Vocational High School milling machine for \$51,795.
- Various school projects for \$115,676.
- Maines Field lighting improvements for \$166,300.
- Forbes Library renovations for \$407,610.

Construction in progress projects remaining at the end of the year consisted of the City-wide telephone system for \$449,812, fiber optic wide area network for \$549,340, the police facility for \$1,020,275, bridge repairs for \$2,723, road work for \$25,485, sidewalk repair for \$97,550, roof repair for \$1,250, Route 66 slope repairs for \$101,500, and Forbes Library Phase III renovations for \$407,610.

Completed construction in progress projects consists of Clement Street Bridge repairs for \$109,940, energy conservation for Jackson Street school for \$21,630, Smith Vocational School shop equipment and computers for \$156,540, Smith Vocational School fire alarm upgrades for \$50,000, and the Smith Vocational School dairy roof for \$60,385.

Capital asset additions during the year of \$3,950,266 in the business-type activity consisted of:

- in the sewer fund, machinery, equipment and vehicles for \$116,382.
- in the water fund, water mains completed for \$129,740, additional water mains infrastructure for \$697,125; which were ongoing for \$1,467,725, a piece of land for \$6,340, and machinery, equipment and vehicles for \$221,649.
- In the solid waste fund, the Phase I Landfill closure improvements of \$288,919; which was completed for \$859,875, other acquired, expansion and infrastructure improvements of \$899,675; which were ongoing for \$1,362,595, and four pieces of land for \$1,590,436.

Debt Administration. The City's outstanding governmental debt, as of June 30, 2009, totaled \$35,714,539, of which \$23,656,412 is for school projects, \$8,192,000 is for City building projects, \$420,000 for an aerial ladder fire truck, \$229,000 is for land acquisitions, \$569,000 for storm and surface drains, \$25,000 for recreation facilities, \$52,127 for the Septic V community septic program, \$120,000 for the skate park, \$449,000 for road and sidewalk projects, \$494,000 for departmental equipment, \$1,358,000 for fiber optic network and city wide telephone system, \$25,000 for the department of public works roof repair, \$125,000 for bridge repairs and \$2,300,000 in bond anticipation notes.

The City's outstanding business-type debt was \$2,658,235 in sewer debt, \$31,433,739 in water debt and \$1,484,000 solid waste debt for a total of \$35,575,974 in business-type debt. The business-type debt has bond anticipation notes of \$660,000 in sewer debt, \$695,000 in water debt and \$1,350,000 in solid waste debt for a total of \$2,705,000.

The City also has capital leases for ambulances, school department computer equipment and a truck. The last lease payment is due in 2011. The City currently owes \$221,382 on the leases consisting of \$208,258 in principal and \$13,124 in interest.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Northampton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 210 Main Street, Northampton, Massachusetts.

BASIC FINANCIAL STATEMENTS

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 18,002,810	\$ 15,984,839	\$ 33,987,649
Investments	792,231	-	792,231
Receivables, net of allowance for uncollectibles:			
Property Taxes	985,179	-	985,179
Deferred Property Taxes	153,560	-	153,560
Taxes in Litigation	6,794	-	6,794
Rollback Taxes	1,580	-	1,580
Tax Liens	444,501	-	444,501
Excise Taxes and Other Taxes	237,146	-	237,146
User Charges	-	1,345,714	1,345,714
Departmental	306,425	-	306,425
Special Assessments	11,554	6,712	18,266
Loans	197,917	-	197,917
Due from Other Governments	7,164,193	194,017	7,358,210
Total current assets	28,303,890	17,531,282	45,835,172
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	16,731,524	-	16,731,524
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	13,869,107	6,401,381	20,270,488
Depreciable	54,944,458	50,566,136	105,510,594
Total noncurrent assets	85,545,089	56,967,517	142,512,606
Total Assets	113,848,979	74,498,799	188,347,778
LIABILITIES			
CURRENT:			
Warrants Payable	1,902,100	713,898	2,615,998
Accrued Payroll	1,473,979	-	1,473,979
Payroll Withholdings	528,505	-	528,505
Tax Refund Payable	22,400	-	22,400
Other	57,640	-	57,640
Accrued Interest	437,880	140,080	577,960
Compensated Absences	1,160,880	100,045	1,260,925
Bond Anticipation Notes	2,300,000	2,705,000	5,005,000
Bonds and Leases Payable	4,960,222	2,440,686	7,400,908
Total current liabilities	12,843,606	6,099,709	18,943,315
NONCURRENT:			
Landfill Closure	-	937,824	937,824
Compensated Absences	2,368,820	34,480	2,403,300
OPEB Obligation Payable	4,530,422	173,578	4,704,000
Bonds and Leases Payable	30,962,575	33,135,288	64,097,863
Total noncurrent liabilities	37,861,817	34,281,170	72,142,987
Total Liabilities	50,705,423	40,380,879	91,086,302
NET ASSETS:			
Invested in Capital Assets, net of related debt	49,837,075	18,880,560	68,717,635
Restricted for:			
Capital Projects	2,183,546	2,419,663	4,603,209
Loans	197,918	-	197,918
Federal & State Grants	3,634,597	-	3,634,597
Permanent Funds:			
Expendable	83,361	-	83,361
Nonexpendable	644,706	-	644,706
Other Purposes	2,546,931	-	2,546,931
Unrestricted	4,015,422	12,817,697	16,833,119
Total Net Assets	\$ 63,143,556	\$ 34,117,920	\$ 97,261,476

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 5,561,605	\$ 2,601,460	\$ 1,978,900	\$ -	(981,245)	\$ -	(981,245)
Public Safety	11,220,396	2,036,790	577,032	-	(8,606,574)	-	(8,606,574)
Public Works	4,172,217	75,388	396,726	806,328	(2,893,775)	-	(2,893,775)
Education	37,811,357	6,220,418	13,834,153	-	(17,756,786)	-	(17,756,786)
Health and Human Services	2,866,136	202,735	1,607,702	-	(1,055,699)	-	(1,055,699)
Culture and Recreation	3,216,866	460,491	122,066	-	(2,634,309)	-	(2,634,309)
Employee Benefits and Insurance	25,837,413	-	7,359,125	-	(18,478,288)	-	(18,478,288)
State Assessments	2,312,885	-	-	-	(2,312,885)	-	(2,312,885)
Interest	1,664,660	-	762,573	-	(902,087)	-	(902,087)
Total Governmental Activities	94,663,535	11,597,282	26,638,277	806,328	(55,621,648)	-	(55,621,648)
Business-Type Activities:							
Sewer	3,292,872	4,153,289	-	-	-	860,417	860,417
Water	4,301,992	4,585,133	48,147	-	-	331,288	331,288
Solid Waste	1,675,043	3,839,965	-	-	-	2,164,922	2,164,922
Total Primary Government	\$ 103,933,442	\$ 24,175,669	\$ 26,686,424	\$ 806,328	(55,621,648)	3,356,627	(52,265,021)
General Revenues:							
Property taxes					37,503,300	-	37,503,300
Motor vehicle and other taxes					2,091,289	-	2,091,289
Hotel room occupancy taxes					334,406	-	334,406
Penalties & interest on taxes					234,786	-	234,786
Grants & contributions not restricted to specific programs					5,368,380	-	5,368,380
Unrestricted investment income					326,727	254,093	580,820
Miscellaneous					181	-	181
Contributions to Permanent Funds					9,050	-	9,050
Transfers, net					2,962,521	(2,962,521)	-
Total General Revenues, Contributions and Transfers					48,830,640	(2,708,428)	46,122,212
Change in Net Assets					(6,791,008)	648,199	(6,142,809)
Net Assets:							
Beginning of year					69,934,564	33,469,721	103,404,285
End of year					\$ 63,143,556	\$ 34,117,920	\$ 97,261,476

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,411,572	\$ 1,617,083	\$ 11,974,155	\$ 18,002,810
Investments	-	-	792,231	792,231
Receivables, net of allowance for uncollectibles:				
Property Taxes	970,697	-	14,482	985,179
Deferred Property Taxes	153,560	-	-	153,560
Taxes in Litigation	6,794	-	-	6,794
Rollback Taxes	1,580	-	-	1,580
Tax Liens	442,469	-	2,032	444,501
Excise Taxes	237,146	-	-	237,146
Departmental	74,803	-	231,622	306,425
Special Assessments	-	-	11,554	11,554
Loans	-	-	197,917	197,917
Due from Other Governments	20,019,325	-	3,876,392	23,895,717
Total Assets	\$ 26,317,946	\$ 1,617,083	\$ 17,100,385	\$ 45,035,414
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants Payable	\$ 946,625	\$ -	\$ 955,475	\$ 1,902,100
Accrued Payroll	1,473,979	-	-	1,473,979
Employee Withholdings	528,505	-	-	528,505
Tax Refund Payable	22,400	-	-	22,400
Other	57,640	-	-	57,640
Deferred Revenue:				
Property Taxes	708,048	-	14,482	722,530
Other	20,444,368	-	2,949,243	23,393,611
Bond Anticipation Note Payable	-	-	2,300,000	2,300,000
Total Liabilities	24,181,565	-	6,219,200	30,400,765
Fund Balance:				
Reserved For:				
Encumbrances and continuing appropriations	1,516,656	-	-	1,516,656
Perpetual Permanent Funds	-	-	644,706	644,706
Unreserved:				
Designated for Subsequent Years' Expenditures	-	50,000	183,172	233,172
Undesignated, reported in:				
General Fund	619,725	-	-	619,725
Special Revenue	-	1,567,083	10,091,400	11,658,483
Capital Projects	-	-	(116,454)	(116,454)
Permanent Funds	-	-	78,361	78,361
Total Fund Balance	2,136,381	1,617,083	10,881,185	14,634,649
Total Liabilities and Fund Balance	\$ 26,317,946	\$ 1,617,083	\$ 17,100,385	\$ 45,035,414

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 36,731,436	\$ -	\$ 765,146	\$ 37,496,582
State Receipts	16,422,461	-	-	16,422,461
Excise and Other Taxes	2,493,409	-	3,648	2,497,057
Licenses, Permits, Fees	8,620,200	-	-	8,620,200
Interest on Taxes	232,826	-	1,960	234,786
Investment Income	221,713	50,223	65,380	337,316
Intergovernmental - "On-behalf" Payments	7,226,116	-	-	7,226,116
Additions	-	-	9,050	9,050
Grants and Fees	-	-	14,654,733	14,654,733
Total Revenues	71,948,161	50,223	15,499,917	87,498,301
Expenditures:				
Current:				
General Government	4,371,909	-	1,988,791	6,360,700
Public Safety	9,583,303	-	1,908,608	11,491,911
Public Works	2,995,752	-	1,203,687	4,199,439
Education	28,360,129	-	7,129,357	35,489,486
Health and Human Services	953,325	-	1,771,370	2,724,695
Culture and Recreation	1,782,669	-	1,735,896	3,518,565
Employee Benefits and Insurance	21,474,765	-	-	21,474,765
Capital Improvements	403,666	-	-	403,666
State Assessments	2,312,885	-	-	2,312,885
Debt Service:				
Principal	4,247,658	-	240,214	4,487,872
Interest	1,494,897	-	150,773	1,645,670
Total Expenditures	77,980,958	-	16,128,696	94,109,654
Excess of Revenues Over (Under) Expenditures	(6,032,797)	50,223	(628,779)	(6,611,353)
Other Financing Sources (Uses):				
Operating Transfers In	4,685,242	152,000	217,032	5,054,274
Operating Transfers Out	(369,032)	(754,758)	(967,963)	(2,091,753)
Capital Lease	74,468	-	-	74,468
Proceeds from Issuance of Bonds	-	-	2,966,795	2,966,795
Total Other Financing Sources (Uses)	4,390,678	(602,758)	2,215,864	6,003,784
Net Change in Fund Balances	(1,642,119)	(552,535)	1,587,085	(607,569)
Fund Balances, Beginning of Year	3,778,500	2,169,618	9,294,100	15,242,218
Fund Balances, End of Year	\$ 2,136,381	\$ 1,617,083	\$ 10,881,185	\$ 14,634,649

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2009

Total Governmental Fund Balances		\$ 14,634,649
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		68,813,565
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		24,116,141
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and Leases Payable	\$ (35,922,797)	
Other Post Employment Benefits Payable	(4,530,422)	
Compensated Absences	<u>(3,529,700)</u>	(43,982,919)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(437,880)</u>
Net Assets of Governmental Activities		<u><u>\$ 63,143,556</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (607,569)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlay Purchases	\$ 3,680,016	
Depreciation	<u>(3,997,090)</u>	(317,074)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue (2,588,295)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds.

Neither transaction, however, has any effect on net assets:

Repayment of Debt and Lease Principal	4,559,122	
Proceeds from Bonds and Notes	(2,966,795)	
Capital Lease Financing	<u>(74,468)</u>	1,517,859

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(246,517)	
Net Change in Other Post Employment Benefits	(4,530,422)	
Net Change in Accrued Interest on Long-Term Debt	<u>(18,990)</u>	(4,795,929)

Change in Net Assets of Governmental Activities \$ (6,791,008)

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Carried</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Basis</u>	<u>Forward</u>	<u>Positive</u>
				<u>to Next Year</u>	<u>(Negative)</u>
Revenues:					
Property Taxes	\$ 36,688,845	\$ 36,688,845	\$ 36,734,336	\$ -	\$ 45,491
State Receipts	18,066,295	18,066,295	16,422,461	-	(1,643,834)
Excise and Other Taxes	2,584,562	2,584,562	2,493,409	-	(91,153)
Licenses, Permits, Fees	9,092,718	9,092,718	8,620,200	-	(472,518)
Interest on Taxes	238,000	238,000	232,826	-	(5,174)
Investment Income	479,350	479,350	221,713	-	(257,637)
Total Revenues	67,149,770	67,149,770	64,724,945	-	(2,424,825)
Expenditures:					
Current:					
General Government	4,642,612	4,719,863	4,371,909	138,082	209,872
Public Safety	9,080,461	9,807,941	9,583,303	11,910	212,728
Public Works	3,093,927	3,425,415	2,995,752	288,975	140,688
Education	29,500,642	29,500,642	28,285,661	175,586	1,039,395
Health and Human Services	640,040	967,220	953,325	-	13,895
Culture and Recreation	1,785,558	1,788,842	1,782,669	-	6,173
Employee Benefits and Insurance	14,278,178	14,398,228	14,248,649	30,000	119,579
Capital Improvements	1,057,956	1,281,702	403,666	872,103	5,933
State Assessments	2,501,478	2,501,478	2,312,885	-	188,593
Debt Service:					
Principal	4,223,772	4,247,658	4,247,658	-	-
Interest	1,673,433	1,557,638	1,494,897	-	62,741
Total Expenditures	72,478,057	74,196,627	70,680,374	1,516,656	1,999,597
Excess of Revenues Over (Under) Expenditures	(5,328,287)	(7,046,857)	(5,955,429)	(1,516,656)	(425,228)
Other Financing Sources (Uses):					
Operating Transfers In (Out)	3,631,794	4,316,210	4,316,210	-	-
Total Other Financing Sources (Uses)	3,631,794	4,316,210	4,316,210	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,696,493)	(2,730,647)	(1,639,219)	(1,516,656)	(425,228)
Budgetary Fund Balance - Beginning of Year	3,535,350	3,535,350	3,535,350	-	-
Budgetary Fund Balance - End of Year	\$ 1,838,857	\$ 804,703	\$ 1,896,131	\$ (1,516,656)	\$ (425,228)

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2009

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 64,724,945	\$ 70,680,374
Net Increase in Revenue from Recording Refund Taxes Payable	25,750	
Recognition of intergovernmental Revenue - "on behalf payments"	7,226,116	
Recognition of Expenditures - "on behalf payments"		7,226,116
Capital Lease		74,468
Net Decrease in Revenue from Recording 60-Day Receipts	(28,650)	
Reported on a GAAP Basis	<u>\$ 71,948,161</u>	<u>\$ 77,980,958</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009

		Business-Type Activities Enterprise Funds			
		Sewer Fund	Water Fund	Solid Waste Fund	Total
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$	3,035,175	\$ 7,446,383	\$ 5,503,281	\$ 15,984,839
User Charges, net of allowance for uncollectibles		397,328	333,521	614,865	1,345,714
Special Assessments		6,712	-	-	6,712
Due from Other Governments		-	194,017	-	194,017
Total current assets		3,439,215	7,973,921	6,118,146	17,531,282
NONCURRENT:					
Capital Assets, net of accumulated Depreciation:					
Nondepreciable		51,144	2,769,206	3,581,031	6,401,381
Depreciable		5,203,862	36,782,589	8,579,685	50,566,136
Total noncurrent assets		5,255,006	39,551,795	12,160,716	56,967,517
Total Assets		8,694,221	47,525,716	18,278,862	74,498,799
LIABILITIES					
CURRENT:					
Accounts Payable		141,286	350,498	222,114	713,898
Accrued Interest		29,160	94,000	16,920	140,080
Compensated Absences		52,925	29,775	17,345	100,045
Bond Anticipation Notes		660,000	695,000	1,350,000	2,705,000
Bonds Payable		323,235	1,882,451	235,000	2,440,686
Total current liabilities		1,206,606	3,051,724	1,841,379	6,099,709
NONCURRENT:					
Landfill Closure		-	-	937,824	937,824
Compensated Absences		23,730	1,985	8,765	34,480
OPEB Obligation Payable		86,554	51,744	35,280	173,578
Bonds Payable		2,335,000	29,551,288	1,249,000	33,135,288
Total noncurrent liabilities		2,445,284	29,605,017	2,230,869	34,281,170
Total Liabilities		3,651,890	32,656,741	4,072,248	40,380,879
NET ASSETS:					
Invested in Capital Assets, net of related debt		1,936,771	7,617,073	9,326,716	18,880,560
Restricted for Capital		935,142	1,308,582	175,939	2,419,663
Unrestricted		2,170,418	5,943,320	4,703,959	12,817,697
Total Net Assets		\$ 5,042,331	\$ 14,868,975	\$ 14,206,614	\$ 34,117,920

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 4,126,105	\$ 4,569,744	\$ 3,535,557	\$ 12,231,406
Other	27,184	15,389	304,408	346,981
Total Operating Revenues	4,153,289	4,585,133	3,839,965	12,578,387
Operating Expenses:				
Salaries & Wages	695,132	795,540	406,478	1,897,150
Operating Expenses	1,675,650	1,510,914	655,661	3,842,225
Depreciation	790,331	1,157,285	541,826	2,489,442
Total Operating Expenses	3,161,113	3,463,739	1,603,965	8,228,817
Operating Income (Loss)	992,176	1,121,394	2,236,000	4,349,570
Non-Operating Revenues (Expenses):				
Interest Income	58,855	113,846	81,392	254,093
Intergovernmental	-	48,147	-	48,147
Interest Expense	(131,759)	(838,253)	(71,078)	(1,041,090)
Total Non-Operating Revenues (Expenses)	(72,904)	(676,260)	10,314	(738,850)
Income (Loss) Before Operating Transfers	919,272	445,134	2,246,314	3,610,720
Operating Transfers:				
Transfers In (Out)	(1,546,261)	(611,595)	(804,665)	(2,962,521)
Total Operating Transfers	(1,546,261)	(611,595)	(804,665)	(2,962,521)
Change in Net Assets	(626,989)	(166,461)	1,441,649	648,199
Net Assets at Beginning of Year	5,669,320	15,035,436	12,764,965	33,469,721
Net Assets at End of Year	\$ 5,042,331	\$ 14,868,975	\$ 14,206,614	\$ 34,117,920

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	4,121,356	4,666,550	3,567,079	\$ 12,354,985
Receipts from Other Revenues	27,184	15,389	304,408	346,981
Payments to Vendors	(1,502,864)	(1,465,411)	(872,181)	(3,840,456)
Payments to Employees	(680,771)	(804,863)	(408,530)	(1,894,164)
Net Cash Provided by (Used for) Operating Activities	1,964,905	2,411,665	2,590,776	6,967,346
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,546,261)	(611,595)	(804,665)	(2,962,521)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,546,261)	(611,595)	(804,665)	(2,962,521)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the issuance of Bonds and Notes	660,000	1,545,000	1,350,000	3,555,000
WPAT Project Drawdowns	-	276,951	-	276,951
Intergovernmental	-	48,147	-	48,147
Acquisition and Construction of Capital Assets	(116,382)	(1,054,854)	(2,779,030)	(3,950,266)
Principal Payments on Bonds and Notes	(320,686)	(1,751,511)	(239,000)	(2,311,197)
Interest Expense	(133,239)	(837,903)	(73,468)	(1,044,610)
Net Cash Provided by (Used for) Capital and Related Financing Activities	89,693	(1,774,170)	(1,741,498)	(3,425,975)
Cash Flows from Investing Activities:				
Investment Income	58,855	113,846	81,392	254,093
Net Cash Provided by (Used for) Investing Activities	58,855	113,846	81,392	254,093
Net Increase (Decrease) in Cash and Cash Equivalents	567,192	139,746	126,005	832,943
Cash and Cash Equivalents at Beginning of Year	2,467,983	7,306,637	5,377,276	15,151,896
Cash and Cash Equivalents at End of Year	\$ 3,035,175	\$ 7,446,383	\$ 5,503,281	\$ 15,984,839

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
Operating Income (Loss)	\$ 992,176	\$ 1,121,394	\$ 2,236,000	4,349,570
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	790,331	1,157,285	541,826	2,489,442
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	86,232	(6,241)	(99,489)	(19,498)
Increase (Decrease) in Compensated Absences	14,361	(9,323)	(2,052)	2,986
Increase (Decrease) in OPEB Obligation Payable	86,554	51,744	35,280	173,578
Increase (Decrease) in Landfill Closure	-	-	(152,311)	(152,311)
Decrease (Increase) in User Charges Receivable	(4,749)	96,806	31,522	123,579
Total Adjustments	972,729	1,290,271	354,776	2,617,776
Net Cash Provided by (Used for) Operating Activities	\$ 1,964,905	\$ 2,411,665	\$ 2,590,776	\$ 6,967,346

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009**

	NORTHAMPTON		
	Employees Retirement System Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 99,900	\$ 1,712	\$ 275,826
Investments	60,453,346	1,072,471	-
Accrued Interest and Dividends	183,741	-	-
Total Assets	60,736,987	1,074,183	275,826
LIABILITIES			
Warrants Payable	213,132	585	-
Due to Others	-	-	2,989
Due to Student Groups	-	-	168,587
Deposits and Escrows	-	-	104,250
Total Liabilities	213,132	585	275,826
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 60,523,855	\$ 1,073,598	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	NORTHAMPTON	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	
	(as of December	Private
	31, 2008)	Purpose
		Trust Funds
Additions		
Contributions:		
Employers	\$ 3,826,894	\$ -
Plan Members	2,068,308	-
Transfers/Reimbursements from Other Systems	172,430	-
Federal Grant Reimbursements	16,117	-
Commonwealth of Massachusetts - COLA	133,973	-
Private Donations	-	176,667
Total Contributions	6,217,722	176,667
Investment Income:		
Interest & Dividends	2,287,705	32,285
Net Change in Fair Value of Investments	(17,309,307)	(31,543)
Total Investment Earnings	(15,021,602)	742
Less Investment Expense	(285,411)	-
Net Investment Earnings	(15,307,013)	742
Total Additions	(9,089,291)	177,409
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	5,926,400	-
Refunds to Members	145,069	-
Transfers to Other Systems	321,731	-
Educational Scholarships	-	20,791
Human Services	-	12,376
General Expenses	166,558	14,709
Total Deductions	6,559,758	47,876
Change in Net Assets	(15,649,049)	129,533
Net Assets at Beginning of Year	76,172,904	944,065
Net Assets at End of Year	\$ 60,523,855	\$ 1,073,598

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Northampton, Massachusetts is a municipality in which citizens elect the mayor, seven council members and two at-large council members.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Northampton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 210 Main Street, Northampton, Massachusetts.

The City is responsible for electing the governing board and/or committee members of the Northampton Housing Authority. This related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing the board and/or committee members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

Northampton Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The City has no significant influence over management, budget or policies of the authority.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

The accompanying basic financial statements of the City of Northampton, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The government reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The *solid waste fund* is used to account for the integrated solid waste management program.

Additionally, the government reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Northampton Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

The *agency fund* is used to account for assets held in a purely custodial capacity.

The nonmajor governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at market value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Taxes in Litigation, Rollback Taxes, and Tax Liens

Property taxes are based on assessments as of January 1, 2008 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2009 on July 1, 2008 that were due on August 1, 2008 and November 3, 2008 and actual bills on December 28, 2008 that were due on February 2, 2009 and May 1, 2009.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2009 is \$37,226,438 consisting of a base of \$35,883,668 and a debt exclusion of \$1,342,770. The total amount raised by taxation was \$37,197,371.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the City, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the City is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges and fees consist of sewer, water and solid waste and are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and included as a lien on the property owner's tax bill. Water charges, sewer charges, solid waste and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of veterans services, school department fees, ambulance and other general government receipts.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consists of Title V septic betterments in the governmental funds and sewer betterments in the business-type funds.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Community Development Block Grant office administers loan programs that provide housing assistance to residents of the City and commercial loans to businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase of equipment in excess of \$15,000 and construction costs of in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Capital Asset Type	Years
Buildings and improvements	20-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net."

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Loans" represents community development outstanding loan receivable balances.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual Permanent Funds" represent amounts held in trust for which only investment earnings may be expended.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The City includes the following in the reserve:

Major Governmental Funds:		
Stabilization fund		50,000
Nonmajor Governmental Funds:		
Municipal waterways fund	\$	4,086
Conservation wetlands fees		4,086
Sale of cemetery lots		5,000
Comcast 1 - Net reserve		165,000
Cemetery perpetual care fund		5,000
		<u>183,172</u>
		<u>\$ 233,172</u>

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 20% of their current rates of pay.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50%, 60% and 80% share for PPO plans and HMO plans, respectively, insurance premiums in the general fund in the fiscal year paid. There were approximately 672 participants eligible to receive benefits at June 30, 2009. The estimated cost is \$4,704,000.

N. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the City's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The City must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds. Supplemental appropriations may be made from available funds after the setting of the tax rate. Appropriations may be transferred between departments with the City Council approval.

The City follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

Every board and committee in charge of a department shall annually, on the first day of December, send to the mayor and to the committee on finances an estimate in detail of the appropriations needed to enable the department to properly perform its duties.

Hearings are conducted and the Mayor then submits a budget to the City Council.

The budget is legally enacted by vote of the City Council prior to the end of the fiscal year.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Throughout the fiscal year, any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by City Council vote.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2009, the City incurred a final budget deficit of \$2,730,647 for the General Fund.

The City voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash	\$ 1,034,155
Prior year's encumbrances	1,696,492
	<u>\$ 2,730,647</u>

B. Deficit Fund Equity

The following funds had deficits at June 30, 2009 as measured by the balances of unreserved fund balance.

- The highway grants has a deficit of \$1. The deficit will be eliminated upon the future receipt of grant funds.
- The arts lottery council grants fund has a deficit of \$23. The deficit will be eliminated upon the future receipt of grant funds.
- The dog revolving fund has a deficit of \$5,745. The deficit will be eliminated upon the future receipt of funds.
- The juvenile firesetter intervention program has a deficit of \$4,385. The deficit will be eliminated upon the future receipt of funds.
- The stormwater management program has a deficit of \$888. The deficit will be eliminated upon the future receipt of funds.
- The capital projects fund has two individual projects that are overdrawn for a total of \$1,031,792. These deficits will be eliminated upon the issuance of permanent debt.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2009 were \$34,306,796. Of these, \$6,923,311 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Northampton Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2008 were \$223,802. None was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – City Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificate of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2009, the City had the following investments and maturities:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. Government agencies	\$ 337,230	\$ -	\$ 337,230
Corporate bonds	288,484	-	288,484
Money market mutual funds	255,298	255,298	-
	881,012	\$ 255,298	\$ 625,714
Other Investments:			
Equity mutual funds	241,055		
Equity securities - Domestic	351,866		
Certificates of Deposits	390,769		
	\$ 1,864,702		

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$1,864,702 in investments none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

Interest Rate Risk

The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's exposure to credit risk as of June 30, 2009 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings				Not Rated
		Aaa	AA2	Baa1	Baa2	
Debt Securities:						
U. S. government agencies	\$ 337,230	\$ 337,230	\$ -	\$ -		\$ -
Corporate bonds	288,484	-	52,560	157,159	78,765	-
Money market mutual fund	255,298	-	-	-		255,298
	\$ 881,012	\$ 337,230	\$ 52,560	\$ 157,159	\$ 78,765	\$ 255,298

Concentration of Credit Risk

The City places no limit on the amount the City may invest in one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank and Verizon Penn corporate bond amounting to 12.64%, 5.44% and 8.43% respectively of the total City's investments.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Investment Policies – Northampton Contributory Retirement System City Financials

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information.

Specific policies for investments of funds for the system are as follows:

- A. The assets shall be diversified among fixed income, equity, and short term investment and may include:
 - i. up to 3% of the total market value of the portfolio in limited partnerships, such as, but not limited to, venture capital investments;
 - ii. up to 8% of the total equity market value of the portfolio in foreign investments.
- B. The asset allocation of the portfolio shall lie within the range of 45%-65% common stock and 35%-55% fixed income as is permitted by an exemption issued to the Board.
- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
 - i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
 - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
 - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.
 - iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
 - v. No investment shall be made in a company with less than a five year operating history.
 - vi. The holdings within the equity portfolio shall be diversified such that:
 - a. the equity portfolio shall consist of no fewer than 25 holdings;
 - b. no single industry shall account for more than 20% of the total market value;
 - c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.
 - vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.

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- i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
 - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
 - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
 - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
 - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
 - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
 - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
 - viii. The holdings within the fixed income portfolio shall be diversified such that:
 - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
 - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
 - c. the fixed income portfolio will consist of no fewer than 20 holdings
 - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of June 30, 2009, the System had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10 Years
Debt Securities:					
U. S. Treasury obligations	\$ 15,038,437	\$ -	\$ 2,745,078	\$ 9,165,427	\$ 3,127,932
U. S. Government agencies	5,221,118	-	1,522,852	1,173,498	2,524,768
Corporate debt	5,103,089	163,500	3,207,398	413,642	1,318,549
Money market mutual funds	12,695,654	12,695,654	-	-	-
	38,058,298	\$ 12,859,154	\$ 7,475,328	\$ 10,752,567	\$ 6,971,249
Other Investments:					
Equity securities - Domestic	19,965,868				
Pooled investment funds	2,429,180				
	\$ 60,453,346				

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$60,453,346 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services

The System's exposure to credit risk as of June 30, 2009 is as follows:

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Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 15,038,436
<i>U. S. Government Agencies:</i>	
AAA	5,221,119
<i>Corporate Debt:</i>	
AAA	892,890
AA	329,714
A	2,003,649
BAA	1,496,396
BA	380,440
<i>Money Market Mutual Funds:</i>	
Not rated	12,695,654
	<u>\$ 38,058,298</u>

Concentration of Credit Risk

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. More than 5 percent of the City's investments are in the Federal National Mortgage Association amounting to 5.20% of the total system's investments.

B. Receivables

At June 30, 2009, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
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	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 1,335,179	\$ (350,000)	\$ 985,179
Deferred property taxes	153,560	-	153,560
Taxes in litigation	6,794	-	6,794
Rollback taxes	1,580	-	1,580
Tax liens	444,501	-	444,501
Excise taxes and other taxes	917,146	(680,000)	237,146
Departmental	438,690	(132,265)	306,425
Special assessments	11,554	-	11,554
Loans	197,917	-	197,917
Due from other governments	23,895,717	-	23,895,717
	<u>\$ 27,402,638</u>	<u>\$ (1,162,265)</u>	<u>\$ 26,240,373</u>

At June 30, 2009, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 565,408	\$ (168,080)	\$ 397,328
Special assessments	6,712	-	6,712
Water Fund:			
User charges	390,576	(57,055)	333,521
Solid Waste Fund:			
User charges	739,865	(125,000)	614,865
	<u>\$ 1,702,561</u>	<u>\$ (350,135)</u>	<u>\$ 1,352,426</u>

The composition of amounts due from other governments as of June 30, 2009 for governmental funds is as follows:

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General Fund:

Commonwealth of Massachusetts:

School Building Authority - School Building Assistance - Capital portion	\$ 19,194,179	
Department of Housing & Community Development:		
Community Development Block Grant	30,282	
Supportive Housing Grant	1,027	
Department of Motor Vehicles - Motor vehicle fines	12,615	
Department of Veteran Services - Veterans benefits	333,837	
<i>Various Towns -</i>		
Smith Vocational High School tuitions	410,513	
<i>Due from Northampton Employees Retirement System</i>	100	
<i>Private Funds</i>		
Insurance claims	32,717	
In lieu of taxes	4,055	\$ 20,019,325

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	31,716
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U. S. Department of Justice:

Safe school neighborhoods	1,429
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U. S. Department of Transportation:

State & community highway safety grant	1,627
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U. S. Department of Housing and Urban Development:

Community Development Block Grant	426,367
Supportive Housing Program	911,495

U. S. Department of Education -

School title grants	118,894
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Commonwealth of Massachusetts -

Massachusetts Department of Elementary & Secondary Education:	
School lunch	955
School grants	2,875
Massachusetts Cultural Council	3,720
Massachusetts Highway Department	2,297,060
Executive Office of Public Safety and Homeland Security - Police 911 support grant	60,209
Department of Early Education & Care - Parent child home literacy	16,275

Northampton Arts Council

Berkshire Hills Grant

2,020	
1,750	3,876,392
	<u>\$ 23,895,717</u>

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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$722,530.

The various components of the other deferred revenue reported in the governmental funds were as follows:

General Fund:

Deferred property taxes	\$	153,560	
Taxes in litigation		6,794	
Rollback taxes		1,580	
Tax Liens		442,469	
Excise Taxes		237,146	
Departmental		74,803	
Due from other governments		19,528,016	\$ 20,444,368

Nonmajor Governmental Funds:

Tax Liens	\$	2,032	
Departmental		231,622	
Special assessments		11,554	
Loans		197,917	
Due from other governments		2,506,118	2,949,243
			<u>\$ 23,393,611</u>

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C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 10,848,387	\$ 365,175	\$ -	\$ 11,213,562
Construction in progress	376,347	2,677,693	(398,495)	2,655,545
Total capital assets not being depreciated	11,224,734	3,042,868	(398,495)	13,869,107
Capital assets being depreciated:				
Buildings and improvements	91,136,605	298,315	-	91,434,920
Machinery, equipment and other	9,526,701	627,388	(71,989)	10,082,100
Infrastructure	16,049,360	109,940	-	16,159,300
Total capital assets being depreciated	116,712,666	1,035,643	(71,989)	117,676,320
Less accumulated depreciation for:				
Buildings	40,173,554	2,829,734	-	43,003,288
Machinery, equipment and other	6,269,383	936,073	(71,989)	7,133,467
Infrastructure	12,363,824	231,283	-	12,595,107
Total accumulated depreciation	58,806,761	3,997,090	(71,989)	62,731,862
Total capital assets being depreciated, net	57,905,905	(2,961,447)	-	54,944,458
Total governmental activities capital assets, net	\$ 69,130,639	\$ 81,421	\$ (398,495)	\$ 68,813,565

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,928,050	\$ 1,596,776	\$ -	\$ 3,524,826
Construction in progress	1,804,476	1,931,954	(859,875)	2,876,555
Total capital assets not being depreciated	3,732,526	3,528,730	(859,875)	6,401,381
Capital assets being depreciated:				
Building and Renovations	20,677,689	859,875	-	21,537,564
Machinery, equipment and other	2,294,136	110,351	-	2,404,487
Infrastructure	71,110,108	311,185	-	71,421,293
Total capital assets being depreciated	94,081,933	1,281,411	-	95,363,344
Less accumulated depreciation for:				
Building and Renovations	12,600,743	634,490	-	13,235,233
Machinery, equipment and other	1,400,336	251,251	-	1,651,587
Infrastructure	28,306,687	1,603,701	-	29,910,388
Total accumulated depreciation	42,307,766	2,489,442	-	44,797,208
Total capital assets being depreciated, net	51,774,167	(1,208,031)	-	50,566,136
Total business-type activities capital assets, net	\$ 55,506,693	\$ 2,320,699	\$ (859,875)	\$ 56,967,517

Depreciation expense was charged to functions/programs of the primary government as follows:

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Governmental Activities:

General government	\$ 398,195
Public safety	615,557
Public works	356,427
Education	2,371,809
Health and human services	120,334
Culture and recreation	134,768
Total depreciation expense - governmental activities	<u>\$ 3,997,090</u>

Business-Type Activities:

Sewer fund	\$ 790,331
Water fund	1,157,285
Solid waste fund	541,826
Total depreciation expense - business-type activities	<u>\$ 2,489,442</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Stabilization fund	Nonmajor governmental funds	
General fund	\$ -	\$ 152,000	\$ 217,032	\$ 369,032
Stabilization fund	754,758	-	-	754,758
Nonmajor governmental funds	967,963	-	-	967,963
Business-type activities	2,962,521	-	-	2,962,521
Total transfers out	<u>\$ 4,685,242</u>	<u>\$ 152,000</u>	<u>\$ 217,032</u>	<u>\$ 5,054,274</u>

E. Lease

The City has entered into lease agreements as lessee for financing the acquisition of ambulances, school department computer equipment and a truck. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follow:

	Governmental Activities
Assets:	
Machinery, equipment and other	\$ 556,410
Less: Accumulated Depreciation	<u>(285,277)</u>
Total	<u>271,133</u>

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

Year Ending June 30,	Governmental Activities
2010	\$ 156,325
2011	65,057
Total minimum lease payments	\$ 221,382
Less: amount representing interest	(13,124)
Present value of minimum lease payments	<u>\$ 208,258</u>

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the City is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental and business-type activities are as follows:

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2009
Governmental Activities:						
<i>Bond Anticipation Notes:</i>						
School energy conservation	2.78%	02/13/09	\$ 70,000	\$ -	\$ 70,000	\$ -
Sidewalks	2.78%	02/13/09	20,000	-	20,000	-
Thermostat controls - Smith Vocational	2.78%	02/13/09	40,000	-	40,000	-
Bridge repairs	2.78%	02/13/09	20,000	-	20,000	-
Roof repairs	2.78%	02/13/09	10,000	-	10,000	-
District-wide security	2.78%	02/13/09	70,000	-	70,000	-
District-wide maintenance van	2.78%	02/13/09	20,268	-	20,268	-
Shop equipment - Smith Vocational	2.78%	02/13/09	100,000	-	100,000	-
Parking lot - Smith Vocational	2.78%	02/13/09	47,092	-	47,092	-
Dairy barn roof - Smith Vocational	2.78%	02/13/09	75,000	-	75,000	-
Species barn roof - Smith Vocational	2.78%	02/13/09	45,000	-	45,000	-
Jackson Street school boiler	2.28%	02/13/09	82,000	-	82,000	-
Police van	2.28%	02/13/09	85,000	-	85,000	-
Ryan Road bridge construction	2.28%	02/13/09	125,000	-	125,000	-
DPW street resurfacing	2.28%	02/13/09	50,000	-	50,000	-
DPW roof repairs	2.28%	02/13/09	15,000	-	15,000	-
Clement Street bridge repairs	2.28%	02/13/09	2,315	-	2,315	-
District-wide maintenance vehicle	2.28%	02/13/09	2,320	-	2,320	-
Jackson Street school PA	2.28%	02/13/09	50,000	-	50,000	-
Fire alarm - Smith Vocational	2.28%	02/13/09	40,000	-	40,000	-
Police station	2.28%	02/13/09	480,000	-	480,000	-
Fire department equipment	2.28%	02/13/09	34,800	-	34,800	-
Jackson Street school boiler	2.28%	02/13/09	25,000	-	25,000	-
Sidewalks	2.50%	02/12/10	-	180,000	-	180,000
Police station	2.50%	02/12/10	-	2,020,000	-	2,020,000
Drainage	2.50%	02/12/10	-	50,000	-	50,000
City technology plan	1.25%	06/30/10	-	50,000	-	50,000
Total Governmental Activities			\$ 1,508,795	\$ 2,300,000	\$ 1,508,795	\$ 2,300,000

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2009
Business-Type Activities:						
Bond Anticipation Notes:						
Water Fund:						
Water mains - Route 66	2.28%	02/13/09	\$ 350,000	\$ -	\$ 350,000	\$ -
Water well chlorination and upgrade:	1.25%	06/30/10	-	695,000	-	695,000
Massachusetts Water Pollution Abatement Trust	1.46%	12/31/08	779,032	276,951	1,055,983	-
Total Water Fund			<u>1,129,032</u>	<u>971,951</u>	<u>1,405,983</u>	<u>695,000</u>
Sewer Fund:						
Wastewater effluent pump # 1	1.25%	06/30/10	-	350,000	-	350,000
Wastewater effluent pump # 2	1.25%	06/30/10	-	310,000	-	310,000
Total Sewer Fund			<u>-</u>	<u>660,000</u>	<u>-</u>	<u>660,000</u>
Solid Waste Fund:						
Landfill planning	2.50%	02/12/10	-	150,000	-	150,000
Landfill land acquisition	1.25%	06/30/10	-	1,200,000	-	1,200,000
Total Solid Waste Fund			<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
Total Business-Type Activities			<u>\$ 1,129,032</u>	<u>\$ 2,981,951</u>	<u>\$ 1,405,983</u>	<u>\$ 2,705,000</u>

G. Long Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Inside Debt:					
Fire station	5.0-5.75%	10/15/99	10/15/18	\$ 5,031,000	\$ 275,000
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	501,000
Library	4.25%	01/19/05	01/19/12	\$ 350,000	150,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	40,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	591,000
Building remodeling - Feiker school	Various	11/15/04	10/15/23	\$ 145,000	29,000
Forbes library	Various	11/15/04	10/15/23	\$ 35,000	15,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	20,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	420,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	25,000
Municipal Purpose Loan of 2007:					
Departmental equipment	3.75-4.0%	03/15/07	03/15/12	\$ 769,500	375,000
Ryan Road/SVHS parking repaving	3.75-4.0%	03/15/07	03/15/12	\$ 425,000	225,000
Ridgewood Terrace sidewalks	3.75-4.0%	03/15/07	03/15/12	\$ 71,600	41,000
School energy	3.75-4.0%	03/15/07	03/15/16	\$ 60,000	46,000
SVHS shop computers	3.75-4.0%	03/15/07	03/15/16	\$ 300,000	226,000
Ridgewood Terrace roads	3.75-4.0%	03/15/07	03/15/16	\$ 173,400	133,000
Veteran's field skatepark	3.75-4.0%	03/15/07	03/15/22	\$ 140,000	120,000
Senior center	3.75-4.0%	03/15/07	03/15/26	\$ 3,910,000	3,498,000
Forbes library remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 982,900	872,000
Schools and DPW garage remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 415,000	367,000
DPW salt/sand shed	3.75-4.0%	03/15/07	03/15/26	\$ 173,600	153,000
Storm and surface drains	3.75-4.0%	03/15/07	03/15/26	\$ 602,000	537,000
Refinanced:					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	133,000
Land acquisition - Gerogianna	Various	11/15/04	10/15/18	\$ 76,000	56,000
Storm and surface drains	Various	11/15/04	10/15/18	\$ 40,000	32,000
Fire station	Various	11/15/04	10/15/18	\$ 2,325,000	2,305,000
Lilly Library - Additional expansion	4.75%	03/15/06	03/15/12	\$ 73,000	36,000
Massachusetts Water Pollution Abatement Trust:					
Title V Community Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	52,127
Municipal Purpose Loan of 2009:					
City-wide fiber optic network	2.0-5.0%	02/12/09	02/01/29	\$ 710,000	710,000
Cty-wide telephone system	2.0-5.0%	02/12/09	02/01/29	\$ 648,000	648,000
Police department CSI vehicle	2.0-5.0%	02/12/09	02/01/29	\$ 85,000	85,000
Fire department equipment	2.0-5.0%	02/12/09	02/01/29	\$ 34,000	34,000
DPW roof repairs	2.0-5.0%	02/12/09	02/01/29	\$ 25,000	25,000
DPW sidewalks	2.0-5.0%	02/12/09	02/01/29	\$ 50,000	50,000
Ryan Road bridge repairs	2.0-5.0%	02/12/09	02/01/29	\$ 125,000	125,000
School energy conservation	2.0-5.0%	02/12/09	02/01/29	\$ 70,000	70,000
Various school projects	2.0-5.0%	02/12/09	02/01/29	\$ 1,174,000	1,174,000
Total Inside Debt					\$ 14,194,127

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Outside Debt:					
High school remodeling	5.17%	10/15/00	06/15/20	\$ 21,610,000	\$ 1,080,000
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	238,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	3,616,000
School project	3.40%	10/15/02	09/01/09	\$ 3,112,008	409,412
School project	3.40%	10/15/02	09/01/09	\$ 1,967,701	245,000
Refinanced:					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	15,932,000
Total Outside Debt					<u>21,520,412</u>
Total Inside Debt					<u>14,194,127</u>
Total Governmental Type Debt					<u><u>\$ 35,714,539</u></u>

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

Governmental Type Activities			
Year	Principal	Interest	Total
2010	\$ 4,813,625	\$ 1,516,904	\$ 6,330,529
2011	4,074,214	1,306,710	5,380,924
2012	3,807,214	1,149,683	4,956,897
2013	3,624,214	997,558	4,621,772
2014	3,401,213	834,721	4,235,934
2015-2019	11,989,059	2,189,569	14,178,628
2020-2024	3,364,000	379,710	3,743,710
2025-2028	641,000	39,125	680,125
	<u>\$ 35,714,539</u>	<u>\$ 8,413,980</u>	<u>\$ 44,128,519</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Inside Debt:					
Sewer:					
Sewer	5.0%-5.8%	10/15/99	10/15/19	\$ 3,865,000	\$ 195,000
Sewer	3.40%	10/15/02	09/01/09	\$ 370,129	68,235
Refinanced:					
Sewer	Various	11/15/04	10/15/19	\$ 2,539,000	2,395,000
Solid Waste:					
Landfill Planning	3.75-4.00%	03/15/07	03/15/16	\$ 150,000	50,000
Total Inside Debt					<u>2,708,235</u>
Outside Debt:					
Water:					
Water Mains	5.0%-5.8%	10/15/99	10/15/19	\$ 970,000	50,000
Water Improvement	3.40%	10/15/02	09/01/09	\$ 566,989	102,353
Water Filtration Plant	Various	11/15/04	10/15/24	\$ 1,000,000	800,000
Route 66 Water Mains	Various	11/15/04	10/15/24	\$ 775,000	615,000
Water	3.75-4.00%	03/15/07	03/15/26	\$ 1,100,000	982,000
Route 66 Water Mains	2.00-5.00%	02/12/09	02/01/29	\$ 1,200,000	1,200,000
Massachusetts Water Pollution Abatement Trust:					
Water Filtration Plant	2.00%	02/01/07	08/01/24	\$ 2,241,713	2,051,476
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 9,612,283	8,829,707
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 14,000,000	12,860,203
Water Filtration Plant	2.00%	03/18/09	07/15/28	\$ 1,250,000	1,250,000
Refinanced:					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	2,693,000
					<u>31,433,739</u>
Solid Waste:					
Refinanced:					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	1,434,000
					<u>1,434,000</u>
Total Outside Debt					<u>\$ 32,867,739</u>
Total Business Type Debt					<u>\$ 35,575,974</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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Business-Type Activities

Year	Principal	Interest	Total
2010	\$ 2,440,686	\$ 982,197	\$ 3,422,883
2011	2,243,904	915,888	3,159,792
2012	2,265,511	846,383	3,111,894
2013	2,266,666	772,267	3,038,933
2014	2,261,604	695,243	2,956,847
2015-2019	10,142,499	2,426,397	12,568,896
2020-2024	8,705,276	1,139,440	9,844,716
2025-2029	5,249,828	197,922	5,447,750
	<u>\$ 35,575,974</u>	<u>\$ 7,975,737</u>	<u>\$ 43,551,711</u>

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$37,105,196	\$ 2,921,000	\$ 4,363,784	\$ 35,662,412	\$ 4,808,411
Massachusetts Water Pollution Abatement Trust bonds	57,341	-	5,214	52,127	5,214
Lease payable	278,119	74,468	144,329	208,258	146,597
Compensated absences	3,283,183	246,517	-	3,529,700	1,160,880
OPEB obligation payable	-	4,530,422	-	4,530,422	-
Governmental activity Long-term liabilities	<u>\$40,723,839</u>	<u>\$ 7,772,407</u>	<u>\$ 4,513,327</u>	<u>\$ 43,982,919</u>	<u>\$ 6,121,102</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$10,607,803	\$ 1,200,000	\$ 1,223,215	\$ 10,584,588	\$ 1,274,588
Massachusetts Water Pollution Abatement Trust bonds	24,829,368	1,250,000	1,087,982	24,991,386	1,166,098
Compensated absences	131,539	14,359	11,373	134,525	100,045
OPEB obligation payable	-	173,578	-	173,578	-
Business-type activity long term Long-term liabilities	<u>\$35,568,710</u>	<u>\$ 2,637,937</u>	<u>\$ 2,322,570</u>	<u>\$ 35,884,077</u>	<u>\$ 2,540,731</u>

Advance Refunding

On November 15, 2004, the City advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the City issued \$29,360,000 of general obligation refunding bonds to refund 1995 bonds in the aggregate principal amount of \$3,250,000, the 1996 bonds in the aggregate principal amount of \$6,985,000, the 1997 bonds in the aggregate principal amount of \$2,895,000, the 1999 bonds in the aggregate principal amount of \$4,685,000 and the 2000 bonds in the aggregate principal amount of

CITY OF NORTHAMPTON, MASSACHUSETTS
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\$10,800,000 and together with the 1995 refunded bonds, the 1996 refunded bonds, the 1997 refunded bonds and the 1999 refunded bonds. The refunded bonds achieved a total savings of approximately 56.63% or \$1,890,061. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt and the business-type debt.

U. S. Bank National Association (the "escrow agent") has established an irrevocable trust fund designated the City of Northampton, Massachusetts Refunding Escrow Fund and moneys in the amount of \$31,453,283 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Escrow Agent solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

The balance, at market, of the refunding trust agreement at June 30, 2009 is \$16,274,316.

Massachusetts Water Pollution Abatement Trust

The City has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The City currently has five loans as follows:

- a gross obligation of \$138,396 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$44,559 resulting in a net loan repayment of \$93,837.
- a gross obligation of \$3,287,701 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$667,226 resulting in a net loan repayment of \$2,620,475.
- a gross obligation of \$11,682,133 representing the gross principal and interest repayments amounts.
- a gross obligation of \$16,933,765 representing the gross principal and interest repayments amounts.
- a gross obligation of \$1,511,326 representing the gross principal and interest repayments amounts.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

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No. 97-1050

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 93,837	\$ 44,559	\$ 138,396	\$ 44,559	\$ 93,837
Repayments:					
Fiscal Year 2001	-	1,114	1,114	1,114	-
Fiscal Year 2002	5,213	4,073	9,286	4,073	5,213
Fiscal Year 2003	5,214	3,864	9,078	3,864	5,214
Fiscal Year 2004	5,214	3,656	8,870	3,656	5,214
Fiscal Year 2005	5,214	3,477	8,691	3,477	5,214
Fiscal Year 2006	5,213	3,239	8,452	3,239	5,213
Fiscal Year 2007	5,214	3,004	8,218	3,004	5,214
Fiscal Year 2008	5,214	2,743	7,957	2,743	5,214
Fiscal Year 2009	5,214	2,502	7,716	2,502	5,214
	<u>\$ 52,127</u>	<u>\$ 16,887</u>	<u>\$ 69,014</u>	<u>\$ 16,887</u>	<u>\$ 52,127</u>

No. DW-04-05A

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 2,241,713	\$ 1,045,987	\$ 3,287,700	\$ 667,226	\$ 2,620,474
Repayments:					
Fiscal Year 2007	-	28,309	28,309	16,478	11,831
Fiscal Year 2008	93,387	101,675	195,062	49,439	145,623
Fiscal Year 2009	96,850	96,920	193,770	48,147	145,623
	<u>\$ 2,051,476</u>	<u>\$ 819,083</u>	<u>\$ 2,870,559</u>	<u>\$ 553,162</u>	<u>\$ 2,317,397</u>

No. DW-04-05

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 9,612,283	\$ 2,069,850	\$ 11,682,133	\$ -	\$ 11,682,133
Repayments:					
Fiscal Year 2008	379,098	205,009	584,107	-	584,107
Fiscal Year 2009	403,478	180,629	584,107	-	584,107
	<u>\$ 8,829,707</u>	<u>\$ 1,684,212</u>	<u>\$ 10,513,919</u>	<u>\$ -</u>	<u>\$ 10,513,919</u>

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NOTES TO THE FINANCIAL STATEMENTS
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No. DW-05-18

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 14,000,000	\$ 2,933,765	\$ 16,933,765	\$ -	\$ 16,933,765
Repayments:					
Fiscal Year 2008	552,144	217,681	769,825	-	769,825
Fiscal Year 2009	587,653	263,081	850,734	-	850,734
	<u>\$ 12,860,203</u>	<u>\$ 2,453,003</u>	<u>\$ 15,313,206</u>	<u>\$ -</u>	<u>\$ 15,313,206</u>

No. DW-05-18A

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 1,250,000	\$ 261,326	\$ 1,511,326	\$ -	\$ 1,511,326
Repayments:					
None	-	-	-	-	-
	<u>\$ 1,250,000</u>	<u>\$ 261,326</u>	<u>\$ 1,511,326</u>	<u>\$ -</u>	<u>\$ 1,511,326</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 2 1/2 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2009, totaled \$16,902,362.

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2009:

Equalized Valuation-Real Estate and Personal Property (2008)		<u>\$ 3,381,331,100</u>
Debt Limit: 5 % of Equalized value		\$ 169,066,555
Total Debt Outstanding		
Governmental Activity Debt	\$ 35,714,539	
Less: Debt Outside Debt Limit	<u>21,520,412</u>	\$ 14,194,127
Business-Type Activity Debt	\$ 35,575,974	
Less: Debt Outside Debt Limit	<u>32,867,739</u>	2,708,235
		<u>\$ 16,902,362</u>
Inside Debt Excess Borrowing Capacity at June 30, 2009		<u>\$ 152,164,193</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or City Council votes to rescind the authorized debt.

The loan authorizations of the governmental activities as of June 30, 2009, which are not reflected in the City's financial statements are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
11/16/06	Extraordinary repairs to three schools as follows:	
	Bridge Street clock and public address system	\$ 50,000
11/16/06	Pavement resurfacing and sidewalk construction	130,000
11/16/06	Drainage construction and reconstruction	350,000
06/21/07	Sidewalk construction	70,000
07/26/07	Police facility construction	1,000,000
08/21/08	Police facility construction	12,600,000
01/15/09	City-wide technology plan - 5th year	225,820
		<u>\$ 14,425,820</u>

The loan authorizations of the business-type activities as of June 30, 2009, which are not reflected in the City's financial statements are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
	Sewer Fund:	
01/15/09	WWTP Effluent Pump Replace/Upgrade	\$ 350,000
03/19/09	WWTP Effluent Pump Replace/Upgrade	310,000
		<u>\$ 660,000</u>
	Water Fund:	
03/19/09	Well chlorination and upgrades	<u>\$ 695,000</u>
	Solid Waste Fund:	
10/06/05	Engineering and Permitting Services for the Landfill	\$ 275,000
10/19/06	Engineering and Permitting Services for the Landfill	300,000
05/21/09	Land Acquisition	1,200,000
		<u>\$ 1,775,000</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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H. Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose. At June 30, 2009, \$1,617,083 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. City Council Votes - Fiscal Year 2010

The financial statements of the City of Northampton as of June 30, 2009 do not reflect the fiscal year 2010 budget approved by the City Council on June 18, 2009, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures and Reserved Retained Earnings as described below. The City Council has authorized a fiscal year 2010 operating and capital budget as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
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Governmental Funds:	
<i>From Tax Levy</i>	\$ 63,746,572
<i>From Parking Meter Receipts</i>	1,351,951
<i>From Community Preservation Funds</i>	1,061,521
<i>From Business-Type Funds:</i>	
Sewer fund receipts	1,569,971
Water fund receipts	609,462
Solid waste fund receipts	811,080
<i>From Other Available Funds:</i>	
<i>Major Funds:</i>	
<i>Designated for Subsequent Years' Expenditures:</i>	
Stabilization fund	50,000
<i>Nonmajor Governmental Funds:</i>	
<i>Designated for Subsequent Years' Expenditures:</i>	
Sale of cemetery lots	5,000
Cemetery perpetual care funds	5,000
Conservation wetlands fees	4,086
Municipal waterways fund	4,086
Comcast 1 - net reserve	165,000
	<u>\$ 69,383,729</u>
Business Type-Funds:	
From sewer receipts	\$ 4,434,208
From sewer retained earnings	265,985
	<u>\$ 4,700,193</u>
 From water receipts	 \$ 5,080,356
From water retained earnings	1,189,480
	<u>\$ 6,269,836</u>
 From solid waste receipts	 \$ 3,525,079
From solid waste retained earnings	256,665
From landfill closure trust fund	1,150,000
	<u>\$ 4,931,744</u>

C. Contingent Liabilities

Litigation

Various cases are pending against the City at June 30, 2009. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Federal Financial Assistance

The City receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the City.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the City.

D. Landfill Closure and Postclosure Cost - Northampton Regional Sanitary Landfill

The City of Northampton operates and owns a landfill. The City landfill is operating under a permit dated January 11, 1994 issued by the Commonwealth of Massachusetts Department of Environmental Protection. The permit is an authorization to operate the Phase 2 Expansion of the landfill. Phase 3 has begun to be constructed with the City providing authorization to borrow in the amount of \$3,680,000. The estimated useful life of the facility is 13.4 years from the date of the permit at an estimated filling rate of 110 tons a day.

The City received a grant in the amount of \$5,656,912 from the Commonwealth of Massachusetts for Phase 1 and Phase 2 of the construction of the landfill. The total cost of Phases 1, 2 and 3 was \$11,187,743 including City funds. Sixty percent of the grant is a no interest loan with repayment of the loan to begin no later than one year after completion of the construction of the facility at a quarterly payment of \$94,281.86.

The City completed Phase 4 in fiscal year 2003. The final cost of phase 4 was \$1,600,000.

In fiscal year 2004, the capping of cell 1 was completed. A contract in the amount of \$734,810 had been awarded for the construction of Phase 4.

As a requirement of the grant the City must make the following financial assurances:

Operational Fund - The City shall provide adequate financial assurances to ensure that adequate funds will be available to maintain and operate the facility on a day-to-day basis through the use of an operational fund.

Closure Fund - The City must establish a "landfill closure fund" to be funded through a phased-in schedule as follows:

Fiscal Years 1991 - 1993	\$50,000 per year
Fiscal Years 1994 - 1995	\$75,000 per year
Fiscal Year 1996	\$100,000 per year
Fiscal Years 1997 - 2003	\$125,000 per year

On June 30, 2009 the landfill closure fund is maintained in the solid waste business-type fund in the amount of \$2,445,282 of which the balance consists of \$3,819,559 in

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appropriated amounts; \$2,567,134 from the solid waste enterprise fund, \$68,959 in expenditures; \$4,543,957 in transfers out and \$671,505 in interest earnings.

The City has reflected \$937,824 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2009, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Pension Plan

Plan Description

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Northampton Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,226,116 for the fiscal year ending June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Northampton Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 210 Main Street, City Hall, Northampton, Massachusetts.

At December 31, 2008, the System's membership consists of the following:

Active Members	683
Inactive Members	98
Retired Members, Beneficiaries and Survivors	338
	<u>1,119</u>

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the

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system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 96% of the total. Chapter 32B of the Massachusetts General Laws governs the contributions of plan members and the City.

The City's contribution to the System for the fiscal years ended June 30, 2009, 2008 and 2007 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2009	\$ 3,665,262
2008	3,535,959
2007	3,409,475

The following schedules are presented in accordance with the GASB No. 25.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Vale of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 71,799	\$ 108,846	\$ 37,047	66%	\$ 21,754	170%
01/01/07	\$ 65,385	\$ 101,978	\$ 36,593	64%	\$ 20,336	180%
01/01/05	\$ 56,569	\$ 90,828	\$ 34,259	62%	\$ 18,120	189%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Stone Consulting, Inc. as of January 1, 2008. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of approximately 4.50% a year per member.

The total unfunded actuarial liability at January 1, 2008 is as follows:

Active members	\$ 51,298,467
Inactive and retired members and beneficiaries	57,547,092
Total actuarial liability	\$ 108,845,559
Assets	71,799,314
Unfunded acturial liability	<u>\$ 37,046,245</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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Reporting Policies

The funds of the Northampton Employees Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The City adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows.

Plan Description

-The City provides the following plan types, Blue Care Elect Value Plus (PPO), HMO Blue Value Plus, Medex, Managed Blue for Seniors, Medicare HMO.

-The group term life insurance - \$5,000.

The number of participants as of May 1, 2007 follows:

Active members	939
Retirees	587
Spouses of retirees	<u>334</u>
Total	<u><u>1,860</u></u>

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2009 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$4,704,000 consisting of \$4,530,422 for governmental activities and \$173,578 for the business-type activities.

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June 30, 2009

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 8,464,686	\$ 324,315	\$ 8,789,001
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost (expense)	8,464,686	324,315	8,789,001
Contributions made during the fiscal year	3,934,264	150,737	4,085,001
Increase in net OPEB obligation	4,530,422	173,578	4,704,000
Net OPEB Obligation - beginning of year	-	-	-
Net OPEB Obligation - end of year	<u>\$ 4,530,422</u>	<u>\$ 173,578</u>	<u>\$ 4,704,000</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/07	N/A	N/A	N/A
06/30/08	N/A	N/A	N/A
06/30/09	\$ 8,789,000	46.48%	\$ 4,704,000

Funded Status and Funding Process

As of May 1, 2007, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$110,552,000, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$110,552,000. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAAL to the covered payroll was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City initial OPEB actuarial valuation as of May 1, 2007, used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded. The actuarial assumptions also a payroll growth rate of 3.40%. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at May 1, 2007 is 29 years.

SUPPLEMENTARY SCHEDULES

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CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 378,101	\$ 3,313,456	\$ 3,202,241	\$ -	\$ 489,316
Arts Lottery Council Grants	(2,690)	25,172	22,505	-	(23)
Community Development Grants	240,167	2,310,340	2,319,443	-	231,064
Council on Aging Grants	13,583	46,044	55,355	-	4,272
Disaster Relief and Hazard Grants	43,820	-	9,326	-	34,494
Economic Development Grants	-	316,865	196,849	-	120,016
Highway Grants	33,078	762,942	795,916	(105)	(1)
Library Grants	6,444	71,494	76,935	-	1,003
Other Programs and Grants	55,343	29,872	48,911	-	36,304
Public Safety Grants	121,194	385,385	374,704	-	131,875
Rail Trail Grants	67,923	83,250	91,451	-	59,722
Recycling Grants	20,437	-	-	-	20,437
Schools:					
School Lunch Revolving	27,423	906,624	906,086	-	27,961
School Lunch Commodities	-	49,260	49,260	-	-
Revolving Accounts	495,278	1,109,664	765,819	-	839,123
School Choice	1,604,654	1,185,780	1,152,278	-	1,638,156
E-Rate Telecommunications Reimbursements	45,071	19,964	35,332	-	29,703
Grant Indirect Expenses	81,469	2,076	5,588	-	77,957
MTC Solar Project	10,653	148,241	146,350	-	12,544
Privately Funded Grants	9,362	51,692	59,083	-	1,971
State Special Education Reimbursement Fund	470,262	544,010	640,001	-	374,271
Other:					
Ambulance Fund	293,492	704,406	-	(566,200)	431,698
Athletic Leagues Revolving Fund	152,675	165,993	185,311	-	133,357
Community Preservation Fund	1,632,108	1,435,236	1,326,311	491,583	2,232,616
Compost Revolving Fund	20	-	-	-	20
Connecticut River Channel Markers	18,711	15,879	20,048	-	14,542
Conservation Funds	8,039	11,472	1,006	(4,086)	14,419
Council on Aging Revolving Funds	31,133	84,696	99,417	-	16,412
Dog Revolving Fund	(5,100)	755	1,400	-	(5,745)
Dog Refund	62,695	-	-	-	62,695
Energy Grant	36,970	-	-	-	36,970
Total Page 69	\$ 5,952,315	\$ 13,780,568	\$ 12,586,926	\$ (78,808)	\$ 7,067,149

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Continued from Page 69	\$ 5,952,315	\$ 13,780,568	\$ 12,586,926	\$ (78,808)	\$ 7,067,149
Special Revenue (continued):					
Other (continued):					
Fire Department Revolving Funds	83,698	198,213	144,979	-	136,932
Fire Outside Detail	1,024	15,251	13,903	-	2,372
Gifts & Donations	353,188	222,090	126,555	-	448,723
Handicapped Fund	4,306	-	-	-	4,306
Hazardous Waste Revolving	551	-	-	-	551
Cooley Dickinson Hospital Healthy Communities Grant	-	5,680	4,476	-	1,204
Innovative Enterprises Fund	3,000	-	-	-	3,000
Insurance Reimbursements	139	-	-	-	139
Internet Access and Technology	165,367	94,474	41,663	-	218,178
J.F.K. Family and Aquatics Center Fund	35,016	76,812	89,888	-	21,940
Juvenile Firesetter Intervention Program	(4,385)	-	-	-	(4,385)
Keg Tag Forfeit Revolving	468	-	-	-	468
Liquor Licenses Deposits	-	10,000	-	-	10,000
Municipal Waterways Fund	4,617	3,648	-	(4,086)	4,179
Northampton State Hospital Marketing	1,356	-	-	-	1,356
Parking Meter Reserves and Passes	998,844	125,860	-	(299,152)	825,552
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	57,483	424,332	454,591	-	27,224
Premium on Loans	-	67,795	46,057	-	21,738
Public Works Grants Projects Revolving	58,078	7,659	7,417	-	58,320
Receipts Reserved for Payment of Debt	39,927	-	-	(39,926)	1
Recreation Revolving	73,043	198,346	166,966	-	104,423
Sale of Cemetery Lots	24,050	6,400	400	(5,000)	25,050
Sale of Land	436,497	1,000	-	-	437,497
Sale of Lumber	230,664	168	-	-	230,832
Septic Repair Loan Repayments	58,074	5,569	7,716	-	55,927
Stormwater Management	-	-	888	-	(888)
Survival Center Capital Fund	-	1,250	-	-	1,250
Tax Title Attorney Fees Revolving	-	2,941	-	-	2,941
Affordable Housing Fund	971	15	-	-	986
Total Page 70	\$ 8,585,559	\$ 15,248,071	\$ 13,692,425	\$ (426,972)	\$ 9,714,233

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Continued from Page 70					
Special Revenue (continued):	\$ 8,585,559	\$ 15,248,071	\$ 13,692,425	\$ (426,972)	\$ 9,714,233
Other (continued):					
Conservation Land Purchase Fund	223,602	194,146	121,352	-	296,396
Drug Forfeiture Fund	14,285	3,944	2,634	-	15,595
E. Lyman Fund	36	1	-	-	37
Hampton Gardens Fund	135,254	1,573	131,182	-	5,645
Library Fund	63,442	270	-	-	63,712
Park Street Improvements Fund	1,793	22	-	-	1,815
Smith Vocational High School Fund	132,992	39,147	-	-	172,139
Total Special Revenue Funds	9,156,963	15,487,174	13,947,593	(426,972)	10,269,572
Capital Projects:					
City Hall Exterior Upgrades	9,656	-	-	-	9,656
City-Wide Install Voice Telephone System	-	-	449,812	648,000	198,188
Install Fiber Optic Wide Area Network	-	-	549,341	710,000	160,659
Management of Information Systems 5 Year Plan	-	-	15,714	-	(15,714)
Department of Public Works Projects	12,563	-	118,630	378,582	272,515
Forbes Library Renovations	58,833	-	19,650	-	39,183
Northampton Public Schools Projects	(192,813)	-	25,077	409,562	191,672
Public Safety Projects	(240,412)	-	895,466	119,800	(1,016,078)
Smith Vocational and Agricultural High School Projects	(256,014)	-	107,413	406,892	43,465
Total Capital Projects	(608,187)	-	2,181,103	2,672,836	(116,454)
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	635,656	9,050	-	-	644,706
Permanent Funds:					
Cemetery Funds	109,668	3,693	-	(30,000)	83,361
Total Non-Major Governmental Funds	\$ 9,294,100	\$ 15,499,917	\$ 16,128,696	\$ 2,215,864	\$ 10,881,185

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES,
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Real Estate Taxes:						
Levy of 2009	\$ -	\$ 36,131,980	\$ 315,638	\$ 35,097,497	\$ 718,845	\$ 718,761
Levy of 2008	690,459	-	234,753	304,800	150,906	150,906
Levy of 2007	131,367	-	66,194	62,533	2,640	2,640
	821,826	36,131,980	616,585	35,464,830	872,391	872,307
Personal Property Taxes:						
Levy of 2009	-	1,066,659	5,375	1,010,939	50,345	50,345
Levy of 2008	41,810	-	3,551	18,444	19,815	19,816
Levy of 2007	12,860	-	-	171	12,689	12,689
Levy of 2006	13,354	-	-	1,253	12,101	12,101
Levy of 2005	10,375	-	-	82	10,293	10,293
Prior Years	343,962	-	2,718	(1,819)	343,063	342,988
	422,361	1,066,659	11,644	1,029,070	448,306	448,232
Total Real Estate and Personal Property Taxes	\$ 1,244,187	\$ 37,198,639	\$ 628,229	\$ 36,493,900	\$ 1,320,697	\$ 1,320,539
Rollback Taxes	\$ 1,580	\$ 3,213	\$ -	\$ 3,213	\$ 1,580	\$ 1,580
Deferred Property Taxes	\$ 148,176	\$ 28,676	\$ 17,807	\$ 5,485	\$ 153,560	\$ 153,597
Community Preservation Surcharge						
Levy of 2009	\$ -	\$ 785,528	\$ 18,543	\$ 754,799	\$ 12,186	\$ 12,270
Levy of 2008	11,695	-	2,941	6,505	2,249	2,249
Levy of 2007	2,237	-	1,055	1,135	47	47
Total Community Preservation Surcharge	\$ 11,695	\$ 785,528	\$ 21,484	\$ 761,304	\$ 14,435	\$ 14,519

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Motor Vehicle Excise Taxes:						
Levy of 2009	\$ -	\$ 1,905,061	\$ 38,918	\$ 1,758,489	\$ 107,654	\$ 107,654
Levy of 2008	153,108	269,143	29,096	352,953	40,202	40,202
Levy of 2007	34,761	2,323	1,823	4,645	30,616	30,616
Levy of 2006	27,290	61	799	4,911	21,641	21,641
Levy of 2005	22,084	-	248	2,331	19,505	19,505
Prior Years	664,400	-	40	4,408	659,952	656,447
	901,643	2,176,588	70,924	2,127,737	879,570	876,065

Boat Excise Taxes:						
Levy of 2009	-	8,719	295	7,088	1,336	1,336
Levy of 2008	1,312	-	38	140	1,134	1,134
Levy of 2007	2,720	-	-	30	2,690	2,690
Levy of 2006	736	-	-	-	736	736
Levy of 2005	514	-	-	-	514	514
Prior Years	31,166	-	-	-	31,166	30,899
	36,448	8,719	333	7,258	37,576	37,309

Total Motor Vehicle Excise and Boat Excise Taxes	\$ 938,091	\$ 2,185,307	\$ 71,257	\$ 2,134,995	\$ 917,146	\$ 913,374
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CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Accounts July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2009	Uncollected Accounts Per Detail June 30, 2009
Tax Liens	\$ 449,429	\$ 224,781	\$ -	\$ 231,741	\$ 442,469	\$ 444,316
Community Preservation Tax Liens	\$ 1,044	\$ 3,695	\$ -	\$ 2,707	\$ 2,032	\$ 2,032
Taxes in Litigation	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794